Foundations of MARKETING

Seventh Edition

Chapter 10

Product, Branding, and Packaging Concepts

Pride | Ferrell

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Learning Objectives

10-1 Explain the concept of a product.

10-2 Discuss how products are classified.

10-3 Explain the concepts of product line and product mix and understand how they are related.

10-4 Describe the product life cycle and its impact on marketing strategies.

10-5 Discuss the product adoption process.

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Learning Objectives (continued)

10-5 Explain the major components of branding, including brand types, branding strategies, and brand protection.

10-7 Describe the major packaging functions, design considerations, and how packaging is used in marketing strategies.

10-8 Identify the functions of labeling and legal issues related to labeling.

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Product

- Product - a good, a service, or an idea received in an exchange including supporting services, such as installation and guarantees
  - **Good** – a tangible physical entity
  - **Service** – an intangible result of human and mechanical efforts to people or objects
  - **Idea** – a concept, philosophy, image, or issue
- Interdependent elements of a product
  - Core product itself
  - Supplemental features
  - Symbolic or experiential benefits

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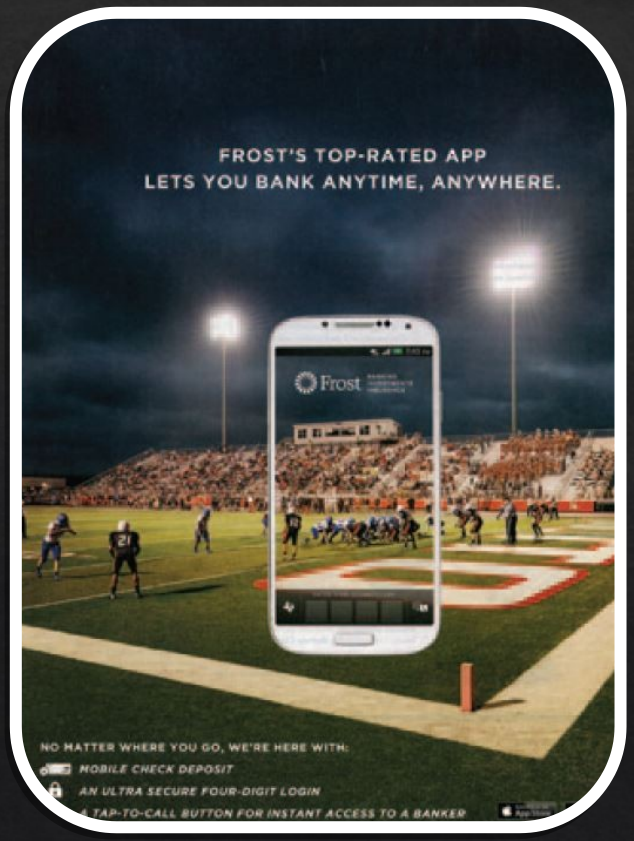
Discussion Point – Services as Products


FROST'S TOP-RATED APP
LETS YOU BANK ANYTIME, ANYWHERE.
Frost
NO MATTER WHERE YOU GO, WE'RE HERE WITH:
MOBILE CHECK DEPOSIT
AN ULTRA SECURE FOUR-DIGIT LOGIN
TAP-TO-CALL BUTTON FOR INSTANT ACCESS TO A BANKER

Source: Frostbank

It can be hard for service organizations such as Frost Bank to illustrate services in their advertisements. Often, service organizations will use tangible objects to demonstrate the benefits of their service offerings.

Why are support services and access to information any time on-demand in high demand?

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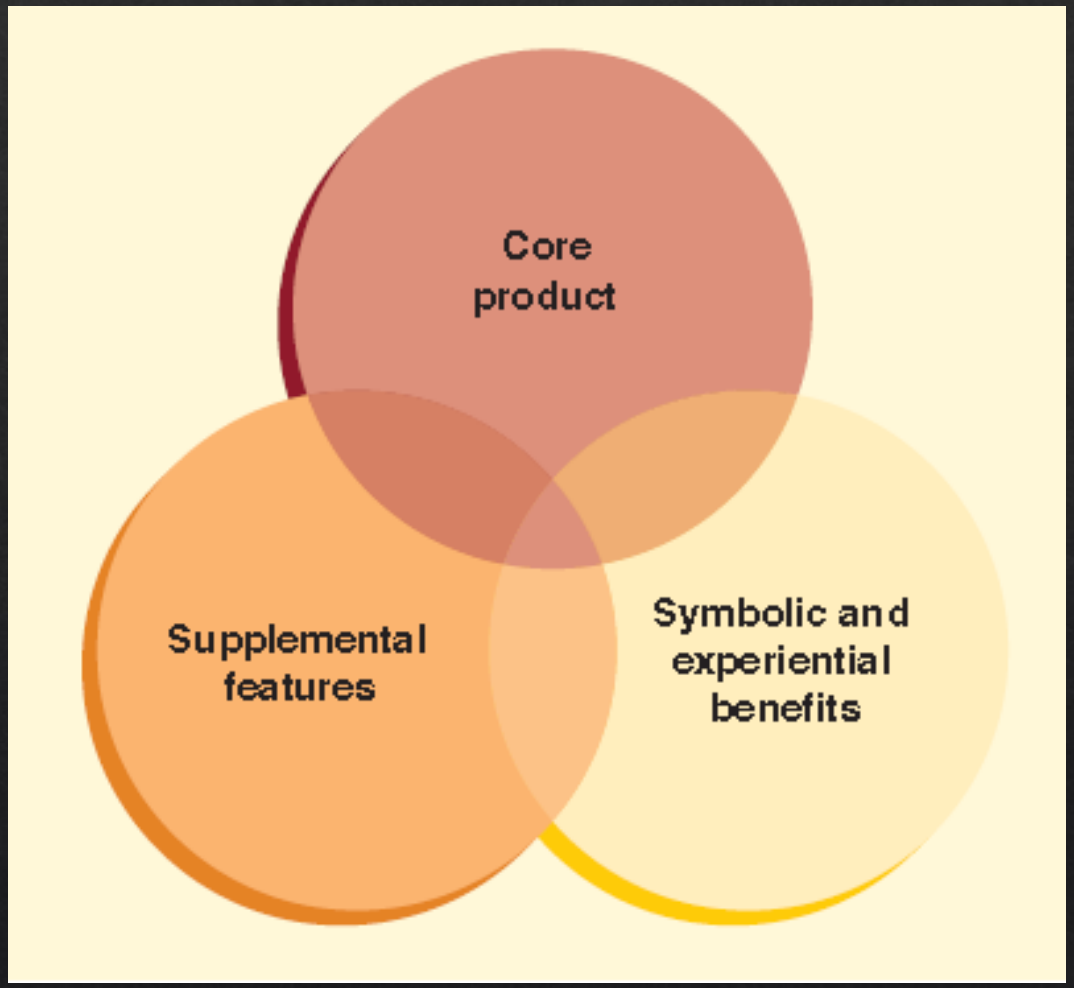
Figure 10.1 – The Total Product



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Classifying Products

- **Consumer products** – purchased to satisfy personal and family needs
- **Business products** – purchased to be used
  - In a firm's operations
  - To resell
  - To make other products

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Categories of Consumer Products

- **Convenience products** – inexpensive, frequently purchased items for which buyers exert only minimal purchasing effort
- **Shopping products** – items for which buyers are willing to expend considerable effort in planning and making the purchase
- **Specialty products** – possess one or more unique characteristics; buyers willing to expend considerable effort to obtain them
- **Unsought products** – purchased when a sudden problem must be solved; products of which customers are unaware, and products that people do not necessarily think of purchasing

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Discussion Point – Convenience vs. Shopping Products

Source: Wm. Wrigley Jr. Company

Source: The Sherwin-Williams Company

Convenience products such as Juicy Fruit gum do not require much shopping effort. However, customers might expend considerable shopping effort in locating and purchasing Sherwin-Williams paint.

Which has a higher inventory turnover—convenience products or shopping products?

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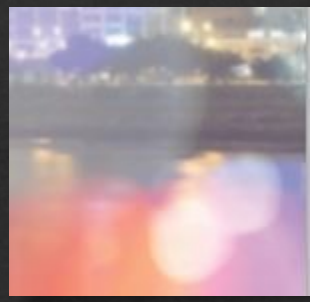
Discussion Point – Specialty Products



Source: Tiffany and Company

Tiffany jewelry is a specialty product. Consumers are willing to expend considerable effort to look for it. It has a limited distribution.

Consumers don't usually compare prices when purchasing a specialty product. What specialty products have you purchased?

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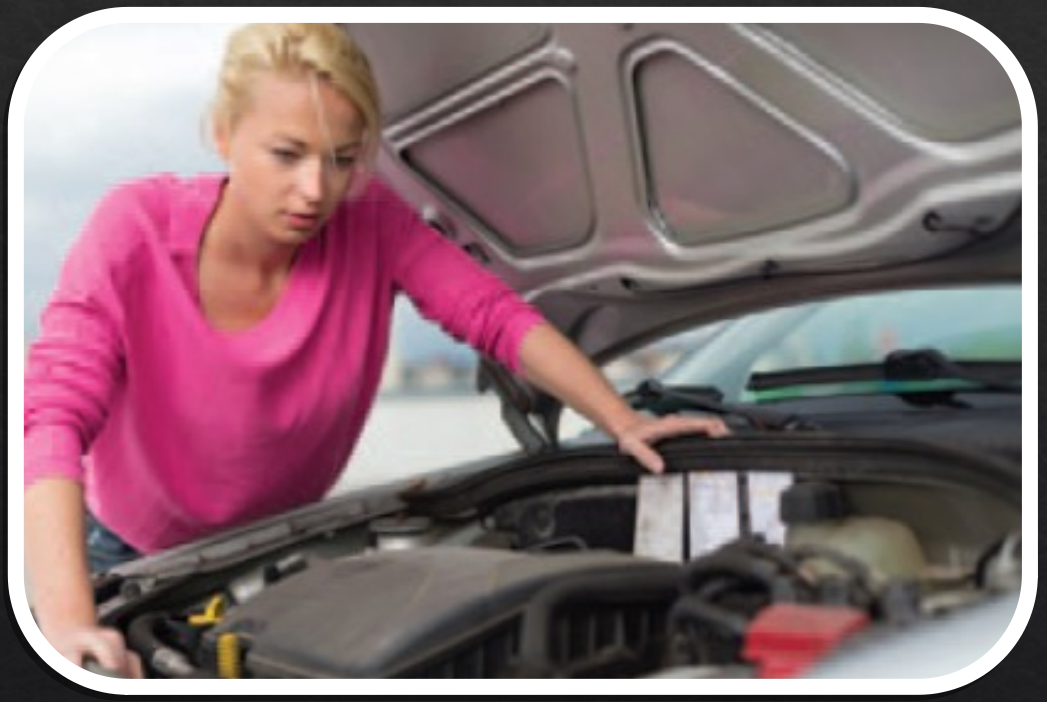
Discussion Point – Unsought Products



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A broken engine is an example in which an unsought product is required. A consumer might not intend to purchase a new engine, but a broken engine necessitates the need for a new one.

What unsought products have you purchased ?

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Categories of Business Products

- **Installations** – facilities such as office buildings and warehouse; major nonportable equipment
- **Accessory equipment** – does not become part of the final physical product but is used in production or office activities
- **Raw materials** – basic natural materials that actually become part of a physical product
- **Component parts** – become part of the physical product and are either finished items ready for assembly or products that little processing before assembly

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Categories of Business Products (continued)

- **Process materials** – used directly in the production of other products; not readily identifiable
- **MRO supplies** – maintenance, repair, and operating items that facilitate production and operations but do not become part of the finished product
- **Business services** – intangible products that many organizations use in their operations; financial, legal, marketing research, information technology, and janitorial services

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Product Line

- **Product item** - specific version of a product that can be designated as a distinct offering among an organization's products
- Product line - group of closely related product items that are considered to be a unit because of marketing, technical, or end-use considerations

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Discussion Point – Product Line

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Pringles has a product line consisting of 13 different varieties of chips, as well as a number of healthy and limited-edition options.

Describe an example of when a company expanded its product line to improve sales.

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Product Mix

- **Product mix** – a composite, or total, group of products that an organization makes available to customers
- **Width of product mix** - measured by the number of product lines a company offers
- **Depth of product mix** – the average number of different products in each product line

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Figure 10.2 – The Concepts of Product Mix Width and Depth Applied to U.S. Procter & Gamble Products

Laundry detergents	Toothpastes	Bar soaps	Deodorants	Shampoos	Tissue/Towel	Fragrances
Dreft 1933	Crest 1955	Ivory 1879	Old Spice 1948	Pantene 1947	Charmin 1928	Hugo Boss 1991
Tide 1946	Scope 1966	Safeguard 1963	Secret 1956	Head & Shoulders 1961	Puffs 1960	Naomi Campbell 1999
Cheer 1950	Oral-B 2006	Olay 1993		Vidal Sassoon 1974	Bounty 1965	Gucci 2003
Downy 1960				Clairol Professional 2001		Dolce & Gabbana 2005
Bold 1965				Herbal Essence 2001		Christina Aguilera 2007
Gain 1966				Wella 2003		
Era 1972				Aussie 2003		
Febreze 2000						

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Product Life Cycle

Product life cycle – the progression of a product through four stages: introduction, growth, maturity, and decline

- **Introduction stage** - begins at a product's first appearance in the marketplace, when sales start at zero and profits are negative
  - Sellers may lack the resources to launch the product successfully
  - Initial product price may have to be high to recoup expensive marketing research or development costs

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Growth Stage

- **Growth stage** - sales rise rapidly and profits reach a peak and then start to decline
  - It is critical to a product's survival because competitive reactions affect the product's life expectancy.
  - Profits begin to decline late in the growth stage, creating the need for heavy promotional expenses.
  - The marketing strategy goal is to establish and fortify the product's market position.

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Maturity and Decline Stages

- **Maturity stage** – sales curve peaks and starts to decline; profits continue to fall
  - Due to increased competition, weaker competitors are pushed out of the market.
  - Marketing strategies are adjusted.
- **Decline stage - s**ales fall rapidly
  - Marketers must determine whether to eliminate the product or try to reposition it to extend its life.
  - Spending on promotion efforts is usually reduced considerably.

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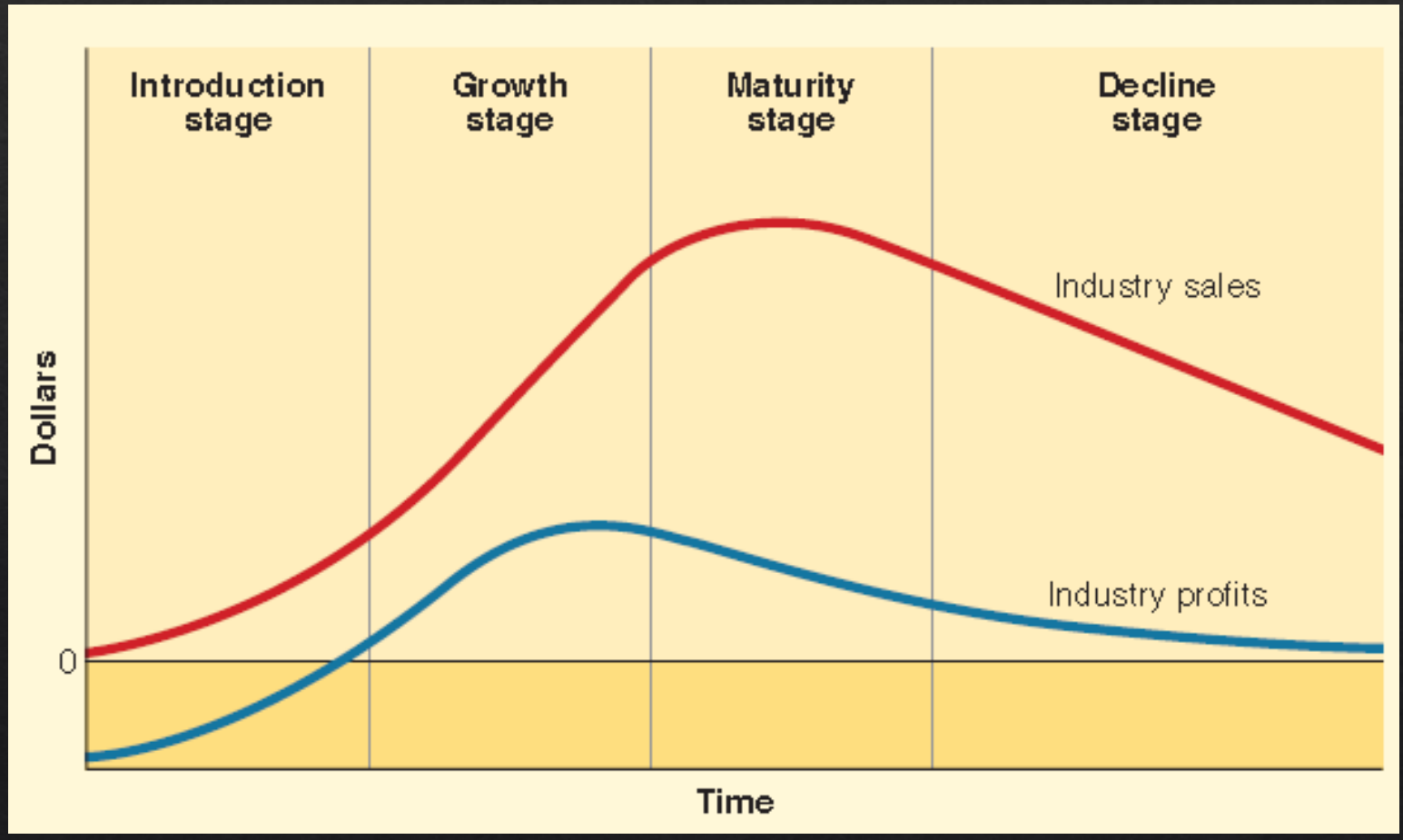
Figure 10.3 – The Four Stages of the Product Life Cycle



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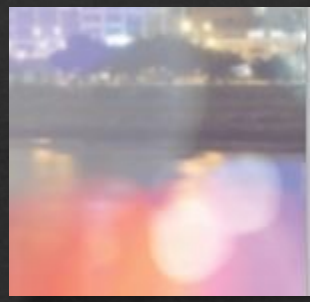
Discussion Point – Managing Products in the Maturity Stage



CERTIFIED HEART-HEALTHY BY THE AMERICAN HEART ASSOCIATION
CERTIFIED HEART-HAPPY BY YOU
Over 40 choices of Campbell's® Healthy Request® soups are certified heart-healthy by the AHA.
Campbell's
Healthy Request
M'm! M'm! Good!®

Source: The Campbell Soup Company

Campbell's soup has reached the maturity stage of the product life cycle. To generate more interest in the products, the company is advertising the health benefits to take advantage of consumers' growing interest in healthy meals.

Do you think consumers pay attention to ads about healthy ingredients in foods?

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Discussion Point – Decline Stage

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As more consumers choose to stream music, compact discs are on the decline. Many retail stores are offering CDs at lower prices to try and spur demand.

Do you think the compact discs will become popular again?

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Figure 10.4 - Product Adoption Process

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Product Adoption Process

Product adoption process – stages buyers go through in accepting a product

- Awareness – buyer becomes aware of the product
- Interest – buyer seeks information and is receptive to learning about the product
- Evaluation – buyer considers the product's benefits and decides whether to try it, considering its value versus the competition
- Trial – buyer examines, tests, or tries the product to determine if it meets his or her needs
- Adoption – buyer purchases the product and be expected to use it again whenever the need for this product arises

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Table 10.1 – Most New Product Ideas Have Their Skeptics

"I think there is a world market for maybe five computers." —Thomas Watson, chairman of IBM, 1943
"This 'telephone' has too many shortcomings to be seriously considered as a means of communication. The device is inherently of no value to us." —Western Union internal memo, 1876
"The wireless music box has no imaginable commercial value. Who would pay for a message sent to nobody in particular?" —David Sarnoff's associates in response to his urgings for investment in the radio in the 1920s
"The concept is interesting and well formed, but in order to earn better than a C, the idea must be feasible." —A Yale University management professor in response to Fred Smith's paper proposing reliable overnight delivery service (Smith went on to found Federal Express Corp.)
"Who the hell wants to hear actors talk?" —H. M. Warner, Warner Brothers, 1927
"A cookie store is a bad idea. Besides, the market research reports say America likes crispy cookies, not soft and chewy cookies like you make." —Banker's response to Debbie Fields's idea of starting Mrs. Fields' Cookies
"We don't like their sound, and guitar music is on the way out." —Decca Recording Company rejecting the Beatles, 1962

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Adopter Categories

- **Innovators** – first to adopt a new product
- **Early adopters** – choose new products carefully
- **Early majority** – accept just prior to the average person
- **Late majority** – skeptical of new products but eventually adopt them because of economic necessity or social pressure
- **Laggards** – last to adopt a new product; oriented toward the past

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Branding

- **Brand** – identifies one marketer's product as distinct from those of other marketers (name, term, design, symbol, or any feature)
- **Brand name** – part of a brand that can be spoken (letters, words, and numbers)
- **Brand mark** – element of a brand not made up of words
- **Trademark** – legal designation indicating that the owner has exclusive use of a brand
- **Trade name** – full and legal name of an organization

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Value of Branding: Buyer's Benefits

Buyers' benefits

- Helps identify specific products that are preferred over others
- Purchase of certain brands can be a form of self-expression
- Symbolizes a certain quality level
- Reduces perceived risk of purchase
- Psychological reward from owning a brand that symbolizes status

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Value of Branding: Seller's benefits

Sellers' benefits

- Identify products, making repeat purchases easier
- Helps a firm introduce a new product that carries the name of one or more of its existing products
- Facilitates promotional efforts
- Fosters brand loyalty
- Consistent price develops customer loyalty

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Value of Branding: Cultural Dimension

Cultural dimension

- Each consumer confers his or her own social meaning onto brands.
- Brand's appeal is based on its symbolic image and key associations.
- Brands help consumers develop their identity and self-concept.
- Brands serve as a form of self-expression.

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Value of Branding: Cultural Branding

- Cultural branding - explains how a brand conveys a powerful myth that consumers find useful in cementing their identities
- Every aspect of a brand is subject to
  - Consumer's emotional involvement
  - Interpretation
  - Memory

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Brand Equity

Brand equity - marketing and financial value associated with a brand's strength in a market

- Brand familiarity - awareness of a brand
- **Brand loyalty** - customer's favorable attitude toward a specific brand
  - Because of advancements in technology, it is difficult to retain loyalty from year to year.
  - Brand loyalty varies by country.

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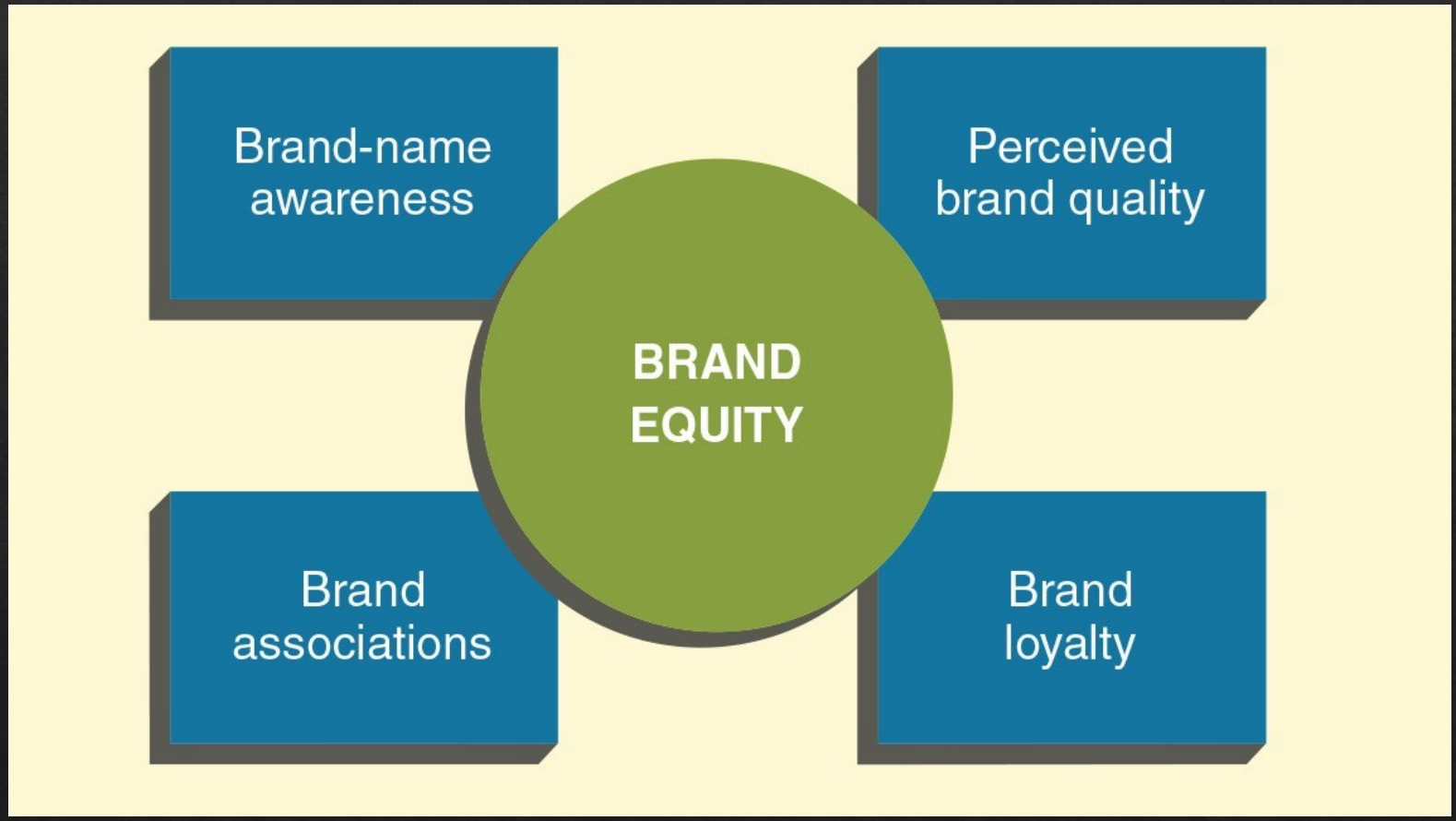
Figure 10.5 - Major Elements of Brand Equity



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Degrees of Brand Loyalty

- **Brand recognition** – The customer is aware that the brand exists and views it as an alternative purchase if the preferred brand is unavailable.
- **Brand preference** – The customer prefers one brand over competitive offerings and will purchase this brand if it is available.
- **Brand insistence** – The customer strongly prefers a specific brand, will accept no substitute, and is willing to spend a great deal of time and effort to

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Discussion Point – Product with Brand Loyalty

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Many consumers are extremely brand loyal to Starbucks and are unwilling to accept a substitute.

Name some brand loyalty products that you purchase.

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Discussion Point – Stimulating Brand Associations

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Pillsbury uses the Pillsbury Doughboy as a trade character to stimulate favorable brand associations.

The Pillsbury Doughboy was created more than 50 years ago. Do you think Pillsbury is targeting young or older demographics, or both?

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Types of Brands

- **Manufacturer brands**
  - Initiated by producers and ensure that producers are identified with their products at the point of purchase
  - Requires a producer to become involved in distribution, promotion, and pricing decisions
- **Private distributor brands**
  - Initiated and owned by resellers
  - Manufacturers are not identified on the products
- **Generic brands**
  - Indicate only the product category
  - Sold at lower prices

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Factors to Select a Brand Name

- Should be easy for customers to say, spell and recall
- Should indicate the product's major benefits
- Should be distinctive
- Should be designed to be used and recognized in all types of media
- Combined use of words, numbers and letters to yield brand names
- Use of fabricated words to avoid negative connotations

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Table 10.2 – The 10 Most Valuable Brands in the World

Rank	Brand	Brand Value ($ Millions)
1	Google	$ 158,843
2	Apple	147,880
3	IBM	107,541
4	Microsoft	90,185
5	McDonald's	85,706
6	Coca-Cola	80,683
7	Visa	79,197
8	AT&T	77,883
9	Marlboro	67,341
10	Amazon.com	64,255

Source: MillwardBrown Optimer, *Brandz Top 100 Most Valuable Global Brands 2014*, https://www.millwardbrown.com/brandz/2014/Top100/Docs/2014_BrandZ_Top100_Chart.pdf (accessed February 19, 2015).

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Protecting a Brand

- Marketer should design a brand so that it be protected through registration
- Brand types
  - Fanciful
  - Arbitrary
  - Suggestive
  - Descriptive
  - Generic

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Protecting a Brand (continued)

- To protect its exclusive rights to a brand, a company must ensure that the brand is not considered an infringement on any brand already registered with the U.S. Patent and Trademark Office.
- Generic terms cannot be protected as exclusive brand names.
- Symbol ® - indicates that a brand is a registered trademark

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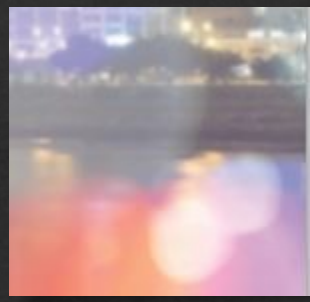
Discussion Point – Brand Protection



iStockphoto.com/diane555

Companies try to protect their brands by using certain phrases and symbols in their advertisements and on their packaging. Note the term “brand” after Band-Aid, and the use of the ® symbol.

How do you know if you can trust a brand name on a product?

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Branding Policies

- **Individual branding** – A policy of naming each product differently
  - Inferior products from the same company do not influence consumers' decisions.
  - It facilitates market segmentation when a firm wants to enter many segments of the same market.
- **Family branding** – All of a firm's products are branded with the same name, or at least part of the name.
  - Sometimes, a company name is combined with other words.
  - The promotion of one item promotes the firm's other products.

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Discussion Point - Family Branding

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The maker of Heinz products employs family branding on its condiments. Note that the name “Heinz” appears on each bottle.

Does family branding influence you to buy a product or service?

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Brand Extensions and Co-branding

- **Brand extension** - occurs when an organization uses one of its existing brands to brand a new product in a different product category
- **Co-branding** - use of two or more brands on one product to capitalize on the brand equity of multiple brands
  - Brands involved must represent a complementary fit in the minds of buyers.
  - Effective co-branding capitalizes on the trust and confidence customers have in the brands involved.

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Table 10.3 – Worst Brand Extensions

Brand Name	Core Product	Failed Brand Extension
Smith & Wesson	Firearms	Mountain Bikes
Bic	Pens	Bic Underwear
Cosmopolitan	Magazine	Yogurt
Wrigley	Candy	Life Savers Soda
Coors	Beer	Rocky Mountain Spring Water
Colgate	Consumer products	Colgate Kitchen Entrees
Frito-Lay	Snack foods	Lemonade
Harley-Davidson	Motorcycles	Perfume

Source: "Top 25 Biggest Product Flops of All Time," *DailyFinance*, www.dailyfinance.com/photos/top-25-biggest-product-flops-of-all-time/ (accessed February 19, 2015).

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Brand Licensing

Brand licensing – an agreement in which a company permits another organization to use its brand on other products for a licensing fee

- Advantages
  - Extra revenues and low-cost or free publicity
  - New images and trademark protection
- Disadvantages
  - Lack of manufacturing control
  - Bombarding consumers with too many unrelated products bearing the same name

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Packaging

- Development of a container and a graphic design for a product
- Functions
  - Protect the product and maintain its functional form
  - Help deter shoplifting and convenience to customers
  - Promotes a product
  - **Family packaging** - when a firm decides that all packages should be similar or include one major element of the design

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Discussion Point – Reusable Packaging

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Reusable packaging is attractive to many consumers since they can extend the use of the packaging long after they have consumed the original product.

Do you think the benefit of reusing the Cool Whip container impacts the consumer's decision to buy the product?

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Packaging and Marketing Strategies

- Packaging may give a product a competitive advantage
- Right type of package for a new product can help it to gain market recognition very quickly
- Marketers must analyze
  - Cost of packaging
  - Package changes

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Altering Packaging

Marketers sometimes alter a package due to

- Existing design is no longer in style
- New product features that need to be highlighted
- Availability of new packaging materials
  - Make the product safer
  - Packaging more convenient to use
- Easier handling in the distribution channel
- Comparison with competitor's product

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Multiple Packaging

- Multiple packaging
  - Uses twin-packs, tri-packs, and six-packs
  - Increases demand
  - Increases consumer acceptance of the product
  - Makes products easier to handle, store, and increases consumption

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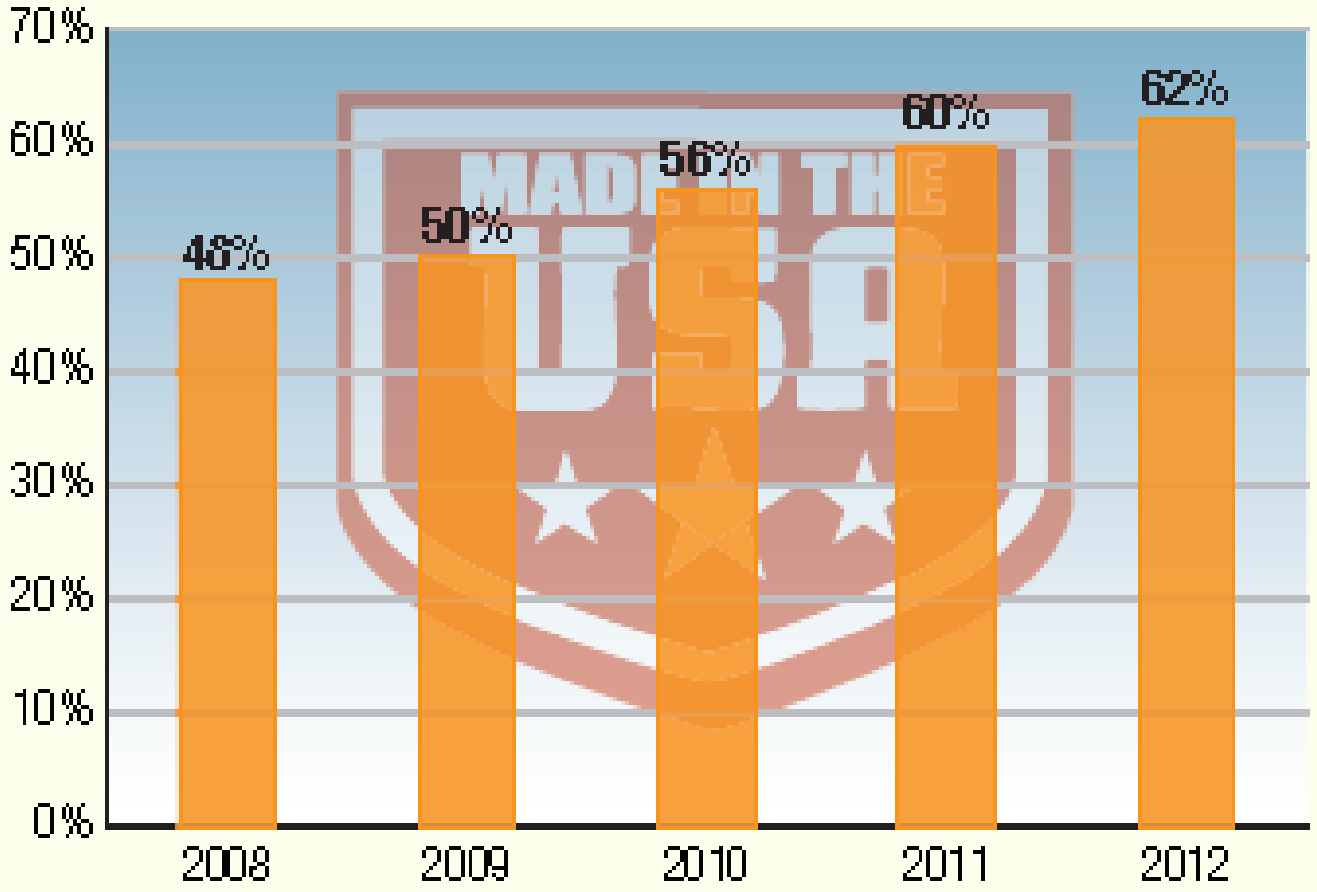
Percentage of People Who Say that "Made in USA" Is the Most Influential Attribute When Buying a New Product



SNAPSHOT

Source: Schneider Associates survey of 1,009 adults 18 and older

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Labeling

Labeling – providing identifying, promotional, or other information on package labels

- Used for identification, promotion, information, and legal purposes
- Can be small or large and varies in the amount of information
- Can be part of the package itself or a separate feature attached to the package

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Label Information

Information on the label may include

- Brand name and mark
- Package size and content
- Nutritional information
- Type and style of product
- Care instructions
- Safety precautions
- Expiration dates
- Trademark symbol
- Product features
- Presence of allergens
- Number of servings
- Directions for use
- Manufacture name/address
- Seal of approval

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Federal Laws and Regulations

- Contains promotional messages
  - Offer of a discount
  - Larger package size at the same price
  - About a new or improved product feature
- Federal laws and regulations specify information that must be included on the labels of certain products
  - The Nutrition Labeling Act of 1990 requires the FDA to review food labeling and packaging.
  - Food product labels must follow standardized nutrition labeling.
  - Chain restaurants and vending machines must also provide calorie information on menus, menu boards, or products.

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Discussion Point – Labeling as Marketing Strategy

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Labeling can be an important part of the marketing strategy. This label can be attached to the packaging to communicate that the product was made in the USA. Labeling can include claims about where the product was made as well as other information that is potentially valuable to the buyer.

Do you think the "Made in USA" or "Made in America" labels impact sales for companies?

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